

**ASSEMBLY BILL**

**No. 457**

**Introduced by Assembly Member Negrete McLeod**

February 14, 2003

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An act to add and repeal Sections 20901.5 and 20904.5 of, and to repeal, add, and repeal Section 20903.5 of, the Government Code, relating to public employees' retirement, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 457, as introduced, Negrete McLeod. Public employees' retirement: early retirement incentives.

The Public Employees' Retirement Law authorizes specified state, local, and school employees, upon a specified determination by their employer, to receive credit for an additional 2 years of service if those employees retire within a designated period and other conditions are met.

This bill would authorize specified state, local, and school employees, upon a specified determination by their employer, to receive credit for an additional 2 years of service and 2 years of age if those employees retire within a designated period, prior to January 1, 2005, and other conditions are met.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 20901.5 is added to the Government Code, to read:

20901.5. (a) Notwithstanding Section 20901 or any other provision of this part, an additional two years of service and an additional two years of age shall be credited to a state member, other than a school member, if the following conditions exist:

(1) The member meets the service requirements of Section 21060 or Section 21074 and retires within the period designated in the memorandum of understanding or designated by the Department of Personnel Administration with respect to excluded employees, as provided in paragraph (3).

(2) The state employer determines that the best interests of the state would be served by encouraging the retirement of state members and transmits to the retirement fund an amount determined by the board that is equal to the actuarial equivalent of the difference between the allowance the member receives after the receipt of service and age credit under this section and the amount the member would have received without that service and age credit. The transfer to the retirement fund shall be made in a manner and time period acceptable to the employer and the board.

(3) This section has been made applicable to the employer and the member pursuant to a memorandum of understanding between the employer and the representative employee organization or, with respect to exempt employees, the Department of Personnel Administration has approved their inclusion in writing to the board.

(b) The amount of service credit and additional age shall each be two years regardless of credited service or age, but may not exceed the number of years intervening between the date of the member's retirement and the date the member would be required to be retired because of age.

(c) Any member who qualifies under this section, upon subsequent reentry to this system, shall forfeit the age and service credit acquired under this section.

(d) This section is not applicable to any member otherwise eligible if the member receives any unemployment insurance payments arising out of employment with an employer subject to this part during a period extending one year after the effective date

1 of this section or if the member is not eligible to retire without the  
2 additional age or service credit available under this section.

3 (e) This section shall remain in effect only until January 1,  
4 2005, and as of that date is repealed, unless a later enacted statute,  
5 that is enacted before January 1, 2005, deletes or extends that date.

6 SEC. 2. Section 20903.5 of the Government Code is repealed.

7 ~~20903.5.—(a) Notwithstanding Section 20903 or any other~~  
8 ~~provision of this part, for only the 1994–95, 1995–96, 1996–97,~~  
9 ~~1997–98, and 1998–99 fiscal years, when the governing body of~~  
10 ~~a contracting agency, other than a school employer, determines~~  
11 ~~that because of an impending curtailment of service, or change in~~  
12 ~~the manner of performing service, the best interests of the agency~~  
13 ~~would be served by encouraging the retirement of local members,~~  
14 ~~the governing body may adopt a resolution to grant eligible~~  
15 ~~employees additional service credit if the following conditions~~  
16 ~~exist:~~

17 ~~(1) The member meets the age and service requirements of~~  
18 ~~Section 21060, is credited with 10 or more years of service, and~~  
19 ~~retires on service retirement on or before a date determined by the~~  
20 ~~governing body that is within a period that is not more than 120~~  
21 ~~days after the governing body's adoption of the resolution.~~

22 ~~(2) The governing body agrees to transmit to the retirement~~  
23 ~~fund an amount determined by the board that is equal to the~~  
24 ~~actuarial equivalent of the difference between the allowance the~~  
25 ~~member receives after the receipt of service credit under this~~  
26 ~~section and the amount the member would have received without~~  
27 ~~that service credit and any administrative costs incurred by this~~  
28 ~~system in a manner and time period acceptable to the governing~~  
29 ~~body and the board. However, the payment period shall not exceed~~  
30 ~~five years. If payment in full is not received within 30 days of the~~  
31 ~~invoice, regular interest shall be charged on any unpaid balance.~~

32 ~~(b) (1) The resolution shall specify the categories of~~  
33 ~~employees that are eligible to receive the additional service credit~~  
34 ~~and the departments, programs and position classifications in~~  
35 ~~which employee members would be eligible for the additional~~  
36 ~~service credit.~~

37 ~~(2) The resolution shall specify the period of eligibility, and the~~  
38 ~~amount of additional service in whole years. The amount of~~  
39 ~~additional service credit shall not be more than four years and shall~~

1 ~~not be combined with any additional service credit granted under~~  
2 ~~Section 20903.~~

3 ~~(c) (1) The governing body shall certify either that sufficient~~  
4 ~~positions have been deleted whose total cost equals or exceeds the~~  
5 ~~lump-sum actuarial cost of the additional service credit granted or~~  
6 ~~that all positions vacated due to the additional service credit~~  
7 ~~granted pursuant to this section shall remain vacant for at least five~~  
8 ~~years and until the lump-sum actuarial cost of the additional~~  
9 ~~service credit granted has been recaptured from position vacancy~~  
10 ~~salary savings.~~

11 ~~(2) The governing body shall certify to the board the extent to~~  
12 ~~which savings will exceed necessary payments to the board, the~~  
13 ~~specific measures to be taken to assure that outcome, and that the~~  
14 ~~agency has complied with Section 7507. The board may require~~  
15 ~~the governing body to provide verification of its certification~~  
16 ~~through independent review.~~

17 ~~(d) At the time the governing body has achieved savings that~~  
18 ~~are more than adequate to meet necessary payments to the board,~~  
19 ~~or five years after commencement of the retirement period~~  
20 ~~specified in paragraph (1) of subdivision (a), whichever occurs~~  
21 ~~first, the governing body shall certify to the board the amount of~~  
22 ~~actual savings and the measures taken to achieve the savings. The~~  
23 ~~governing body shall maintain records for each worker retiring~~  
24 ~~pursuant to this section. The board may require the governing body~~  
25 ~~to provide verification of its certification through independent~~  
26 ~~review. The board shall report these certifications to the~~  
27 ~~Controller, who shall summarize the cost and savings information~~  
28 ~~therein for inclusion in his or her annual report prepared pursuant~~  
29 ~~to Sections 7501 through 7504. The Controller shall perform a~~  
30 ~~postaudit to verify that the savings equal or exceed the lump-sum~~  
31 ~~actuarial cost of the additional service granted pursuant to this~~  
32 ~~section. The local contracting agency shall pay the cost of the~~  
33 ~~postaudit.~~

34 ~~(e) This section shall not be applicable to any member~~  
35 ~~otherwise eligible if the member receives any unemployment~~  
36 ~~insurance payments arising out of employment with an employer~~  
37 ~~subject to this part during a period extending two years beyond the~~  
38 ~~date of issuance of the governing body's determination or if the~~  
39 ~~member is not eligible to retire without the additional credit~~  
40 ~~available under this section.~~

~~(f) Any member who qualifies under this section, upon subsequent reentry into this system or upon any subsequent service under contract or any other basis, shall forfeit the service credit acquired under this section. Any member who qualifies under this section shall not receive temporary reemployment as an annuitant with the public agency from which he or she has received credit under this section for five years following the date of retirement.~~

~~(g) No additional service credit shall be granted pursuant to this section on or after July 1, 1999.~~

SEC. 3. Section 20903.5 is added to the Government Code, to read:

20903.5. (a) Notwithstanding Section 20903 or any other provision of this part, when the governing body of a contracting agency, other than a school employer, determines that the best interests of the agency would be served by encouraging the retirement of local members, the governing body may adopt a resolution to grant all employees of the contracting agency an additional two years of service credit and credit for an additional two years of age, if the following conditions exist:

(1) The local member is eligible to retire and retires within the period designated in and subsequent to the effective date of the contract amendment, or any additional period or periods designated in any subsequently adopted resolution of the governing body of the contracting agency.

(2) The governing body agrees to transmit to the retirement fund an amount determined by the board that is equal to the actuarial equivalent of the difference between the allowance the member receives after the receipt of service and age credit under this section and the amount he or she would have received without that service and age credit. The transfer to the retirement fund shall be made in a manner and time period acceptable to the employer and the board.

(b) The amount of service credit and additional age shall each be two years regardless of credited service or age, but may not exceed the number of years intervening between the date of the member's retirement and the date the member would be required to be retired because of age.

(c) A governing body that elects to make the payment prescribed by paragraph (2) of subdivision (a) shall make the

1 payment with respect to all eligible employees who retire during  
2 the specified period.

3 (d) Any member who qualifies under this section, upon  
4 subsequent reentry to this system, shall forfeit the age and service  
5 credit acquired under this section.

6 (e) This section is not applicable to any member otherwise  
7 eligible if the member receives any unemployment insurance  
8 payments arising out of employment with an employer subject to  
9 this part during a period extending one year beyond the date of the  
10 resolution or if the member is not eligible to retire without the  
11 additional age or service credit available under this section.

12 (f) This section shall remain in effect only until January 1,  
13 2005, and as of that date is repealed, unless a later enacted statute,  
14 that is enacted before January 1, 2005, deletes or extends that date.

15 SEC. 4. Section 20904.5 is added to the Government Code, to  
16 read:

17 20904.5. (a) Notwithstanding Section 20904 or any other  
18 provision of this part, when the county superintendent of schools  
19 or chancellor of a community college district determines that the  
20 best interests of the district would be served by encouraging the  
21 retirement of school members, the superintendent or chancellor  
22 may adopt a resolution to grant all school members employed by  
23 the district an additional two years of service credit and credit for  
24 an additional two years of age, if the following conditions exist:

25 (1) The member is eligible to retire and retires within the period  
26 designated in and subsequent to the effective date of the contract  
27 amendment.

28 (2) The superintendent or chancellor agrees to transmit to the  
29 retirement fund an amount determined by the board that is equal  
30 to the actuarial equivalent of the difference between the allowance  
31 the member receives after the receipt of service and age credit  
32 under this section and the amount he or she would have received  
33 without the service and age credit. The transfer to the retirement  
34 fund shall be made in a manner and time period acceptable to the  
35 employer and the board.

36 (b) The amount of service credit and additional age shall each  
37 be two years regardless of credited service or age, but may not  
38 exceed the number of years intervening between the date of the  
39 member's retirement and the date he or she would be required to  
40 be retired because of age.



1 (c) A superintendent or chancellor that elects to make the  
2 payment prescribed by paragraph (2) of subdivision (a) shall make  
3 the payment with respect to all eligible employees who retire  
4 during the specified period.

5 (d) Any member who qualifies under this section, upon  
6 subsequent reentry to this system, shall forfeit the age and service  
7 credit acquired under this section.

8 (e) This section is not applicable to any member otherwise  
9 eligible if the member receives any unemployment insurance  
10 payments arising out of employment with an employer subject to  
11 this part during a period extending one year after the date of the  
12 resolution or if the member is not eligible to retire without the  
13 additional age or service credit available under this section.

14 (f) This section shall remain in effect only until January 1,  
15 2005, and as of that date is repealed, unless a later enacted statute,  
16 that is enacted before January 1, 2005, deletes or extends that date.

17 SEC. 5. This act is an urgency statute necessary for the  
18 immediate preservation of the public peace, health, or safety  
19 within the meaning of Article IV of the Constitution and shall go  
20 into immediate effect. The facts constituting the necessity are:

21 In order to realize the economies resulting from the early  
22 retirement of state, local, and school employees and to thereby  
23 ameliorate the budget shortfall in the 2003-04 fiscal year, it is  
24 necessary that this act take effect immediately.

